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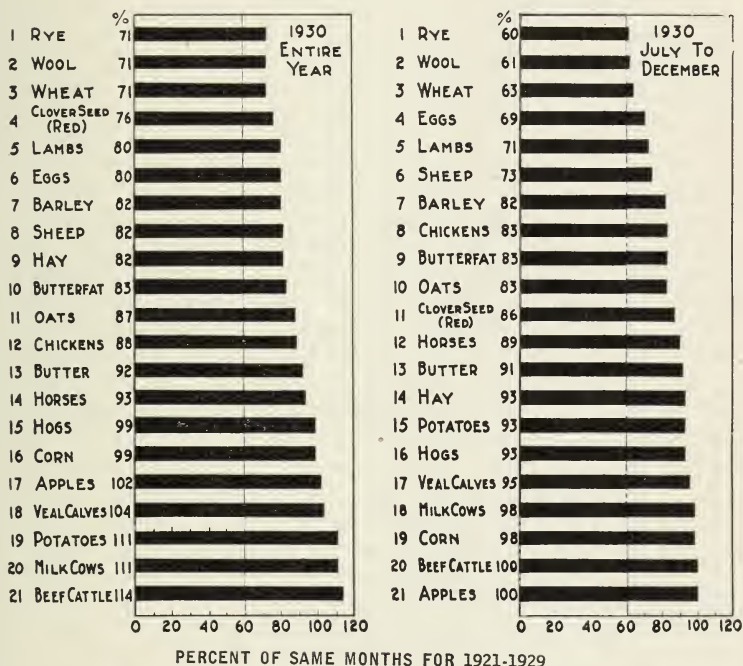
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AGRICULTURE

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Prices of Illinois Farm Products in 1930

By L. J. NORTON



Prices of Illinois farm products were generally lower in 1930 than they averaged for the previous nine-year period. For the year as a whole only 5 of the 21 commodities represented in the above chart were higher than, and only two as high as, the average of the same months in 1921-1929. Wide variations occurred, however, in the relative amount of decline for various products.

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PRICES OF ILLINOIS farm products averaged lower in 1930 than during the preceding nine years, 1921-1929.

They were relatively lower in the second half of the year than in the first, except for a few commodities the prices of which were strengthened by the reduced production caused by the drouth.

The present decline in prices has not altered greatly the relationships that existed among the index numbers of these products for 1921-1929, as described in Bulletin 363 of this Station. Prices of wheat, eggs, lambs, and wool held lower rank in 1930 than for the period 1921-1929, while prices of cattle, milk cows, hogs, and corn ranked higher.

Changes in prices of sheep products and cattle are largely cyclical; sheep are now in the lower-price part of their cycle and cattle in the higher-price phase. Sheep prices may be expected to work relatively higher and cattle prices relatively lower as they move thru their current cycles. The present decline in the rank of egg prices is probably largely cyclical also and in part is likely to be recovered as production is reduced in response to the relatively low price. The decline in wheat is likely to be fairly permanent because of the tendency toward increased production in other countries. Improvements in the rankings of corn and hogs largely reflect the very short corn crop of 1930 and the relatively small corn crop of 1929.

The present decline probably reflects in part the influence of the general downward trend in prices which began in 1920, and it is likely that it will be only partially recovered when business conditions improve and strengthen the general demand for farm products.

Prices of Illinois Farm Products in 1930

By L. J. NORTON, Assistant Chief in Agricultural Economics

PRICES of practically all commodities sold by Illinois farmers declined generally in 1930. This decline was a part of a general world-wide decline in commodity prices and accompanied the severe business depression which prevailed thruout the year.

Some of the changes that have occurred in the prices of individual farm commodities are summarized in this publication. The figures presented are based on data collected by the U. S. Department of Agriculture from a large number of buyers of farm products who report prices paid farmers on the 15th of each month. It is believed these data reflect quite accurately the prices at which farmers in general have been selling their various products.

1930 Prices Compared With 1921-1929 Prices

There are some indications that 1930 conditions reflect the beginning of a new period during which the general level of prices will be lower than for the preceding nine-year period. The years 1921-1929 lay between the severe decline that began in 1920 and the more moderate decline in 1930.¹

During these nine years the general level of prices was quite stable altho there were large fluctuations in the prices of many individual commodities and a slight downward trend in the general average. By 1930 the plans of many farmers and others had consciously or unconsciously been adjusted to the price level and price relationships of the preceding nine-year period.

A comparison of the 1930 prices of twenty-one Illinois farm products with their averages for 1921-1929 reveals the changes shown in the chart on the cover of this bulletin.

Only five of these commodities were higher in 1930 than they were as an average of the previous nine years. These were the three related commodities, beef cattle, milk cows and veal calves, and the two horticultural products that are included, apples and potatoes. Altho in 1930 prices of all classes of cattle declined, they still remained above the average of the longer period, which includes six years of low and only three of relatively high cattle prices.

¹The relative positions of prices of various Illinois farm products during 1921-1929 have been discussed in some detail in Bulletin 363 of this Station, "Prices of Illinois Farm Products From 1921 to 1929."

The 1930 average price of milk in the Chicago area was apparently about the same as the average for 1921-1929.

All the other products considered were cheaper. The 1930 prices of the various grains compared with the respective averages for 1921-1929 were as follows: corn, 99 percent; oats, 87 percent; barley, 82 percent; rye, 71 percent; and wheat, 71 percent.

The price of hogs was also 99 percent of the 1921-1929 average, the same as corn.

Prices of farm butter in 1930 averaged 92 percent of the 1921-1929 average; butterfat prices averaged only 83 percent. From 1921 to 1929 farm prices of these two commodities followed each other closely, but in 1930 butterfat prices declined much more than did butter prices. The probable explanation is that trade in butter tends to be a direct farmer-to-consumer transaction while the sale of butterfat is distinctly a farmer-to-manufacturer transaction. In times of severe price decline, prices obtained from consumers tend to be more stable than those obtained from intermediary agencies.

The 1930 prices of the other commodities were the following percentages of the 1921-1929 average: horses, 93; chickens, 88; sheep, 82; hay, 82; lambs, 80; eggs, 80; red clover seed, 76; and wool, 71.

Changes in Production

The prices of some of these commodities that have declined most severely have been adversely influenced by production in excess of normal demand. Wheat, rye, eggs, poultry, lambs, and wool are the Illinois commodities to which this situation applies most particularly. It is a mistake, however, to blame the general decline in prices on excess production. Conditions operating to bring about a lower level of prices in general, including the business depression, are the primary causes of the difficulty.

Comparisons Based on Last Six Months of 1930

Prices generally were weaker in the last six months of 1930 than in the first half of the year. The Illinois farm price of only two of the twenty-one commodities equalled their 1921-1929 average for the same season of the year; these were apples and beef cattle (see cover).

When the relative prices for the last six months of 1930 are compared with the year as a whole, only three of the above commodities are found to be as high as or higher than for the year as a whole. Barley was as high, and hay and red clover seed were higher. The better position of the two latter reflect the influence of the drouth and

shorter crops. The general weakness of prices is indicated by the fact that corn prices were relatively lower in the last six months of the year than for the year as a whole in spite of the greatly reduced crop.

Relative prices of these different commodities ranked in much the same order in the last six months as for the year as a whole. Barley, oats, rye, wheat, butter, butterfat, eggs, beef cattle, milk cows, hogs, lambs, sheep, veal calves, wool, and horses held practically the same relative ranks. Apples, corn, hay, and red clover seed ranked higher and chickens and potatoes ranked lower, by more than two places.

How Permanent Will Price Decline of 1930 Be?

Price declines are of two kinds—cyclical and permanent. *Cyclical declines* refer to the movement that occurs in the typical business cycle: prices move down as business contracts and then move up as business expands. A cyclical decline and recovery is illustrated by the movement in the wholesale price level from the early part of 1923 to the latter part of 1925; prices declined, and then recovered by practically the same amount. *Permanent changes* are those which are part

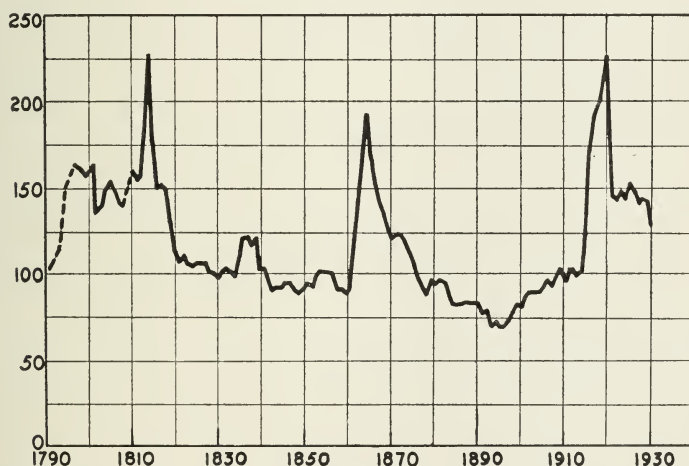


FIG. 1.—GENERAL INDEX OF WHOLESALE PRICES IN THE UNITED STATES
FROM 1790 TO 1930
(1910-1914 = 100)

The three peaks that accompanied wars are especially notable. After the two earlier war peaks, prices went back rather quickly to pre-war level. Between war-time periods more gradual movements are to be noted. In December, 1930, the index stood at about 120 percent of the pre-war average, 1910-1914. (Based on Cornell Univ. Agr. Exp. Sta. Bul. 416, 1923, and *Farm Economics*, Cornell, August, 1930.)

of a general long-time trend. The long-time trend now seems to be downward. (The term *permanent* is an exaggeration, for no price trend is ever permanent; it is bound to reverse its direction eventually.)

Part of the general price decline that occurred in 1930 appears likely to be of the permanent type; that is, not all of the decline seems likely to be recovered as business improves. Two reasons might be suggested for this view: the price level of 1921-1929 was higher than has been permanently maintained over the past century (Fig. 1); and a careful examination of the price trends in the 1921-1929 period reveals signs of weakness in certain groups of commodities, that were masked by the stability of the average. A number of careful students of prices, both in this country and abroad have insisted for several years that the downward movement which began in 1920 was likely to continue.

Just how much of the present decline is permanent and how much is cyclical, to be recovered with the improvement in business conditions, cannot be said definitely. Part of the decline of the past year will be made up. However, examination of declines during other periods when the price trend was downward shows that only a small part of the decline is typically recovered in the upward swing of reaction from the decline.

The changes that occurred in 1920-1923 illustrate this point. The index numbers are those of the Bureau of Labor Statistics.

	All commodities (1926 = 100)	Farm products
High month before decline.....	May 1920...167	May 1920...170
Following low month.....	Jan. 1922... 91	June 1921... 81
Following high month.....	Mar. 1923...104	Mar. 1923...100 (Jan. 1925...114)

The all-commodities index, standing in May, 1920, at 167 percent of 1926, declined to 91, or 76 points, by January, 1922, (a point equals 1 percent on the 1926 level) and recovered only 13. The farm-products index declined 89 points and recovered but 19. The unusual conditions of 1924—a short world wheat crop and a short domestic corn crop—led to a further rise of 14 points in the farm-products index to a secondary peak in January, 1925. By the end of the 1920-1923 period the all-commodities group had recovered about 17 percent of the price decline and the farm-products group about 21 percent. Further recovery in the farm-products group took place in the latter part of 1924-1925.

In the recent decline these two indexes have behaved as follows:

	All commodities	Farm products
	(1926 = 100)	
High month before decline.....	July 1929... 98	July 1929... 108
Lowest point yet reached.....	Dec. 1930... 78	Dec. 1930... 75

The all-commodities index, between July, 1929, and December, 1930, dropped 20 points, compared with 76 points in 1920-1921; and the farm products index dropped 33 points, compared with 89 in 1920-1921. The experience of the 1920-1923 period suggests that only a part of the recent decline will be recovered.

Farm prices have dropped relatively more than wholesale prices. The index of farm prices for the United States, compiled by the U. S. Department of Agriculture, stood at 105 percent of the average for 1926 in August, 1929, and at 71 percent in December, 1930, a drop of 34 points. In the recovery which will likely come in the general level, farm prices will rise relatively more than the general average if past performance is a guide.

Relative Positions of Different Products in 1930

Changes in prices may be viewed from two points: first, with reference to changes in the general level of prices, and second, from the standpoint of changes in the relative positions of the prices of different commodities.

The general level of prices is of interest because it has a direct influence on the amount of money that producers have with which to pay current expenses or debts or to meet various fixed charges such as interest and taxes. The relative positions of various products in the price scale are of importance when studying the relative profitability of different products. In spite of the drastic decline in prices in 1930, the relative positions of the prices of different farm commodities for the year were much the same as for the 1921-1929 period, when pre-war prices are taken as a standard. Some of the changes that did occur are probably temporary; an average of several years is needed to ascertain a definite change in position.

The five farm commodities showing the lowest positions in 1930—horses, hay, barley, rye, and oats—held that position in the 1921-1929 average altho two of them shifted positions (Fig. 2). The four highest in 1930 were among the six highest in 1921-1929. Butter, which may be taken as representative of the dairy group, retained practically the same position in both periods. The following commodities declined in position:

Wool from 16th to 8th place
 Eggs from 13th to 7th place
 Wheat from 10th to 6th place
 Clover seed (red) from 17th to 11th place
 Sheep from 11th to 9th place

The five that rose significantly were:

Beef cattle from 8th to 16th place
 Veal calves from 12th to 15th place
 Milk cows from 9th to 13th place
 Hogs from 6th to 10th place
 Corn from 7th to 12th place

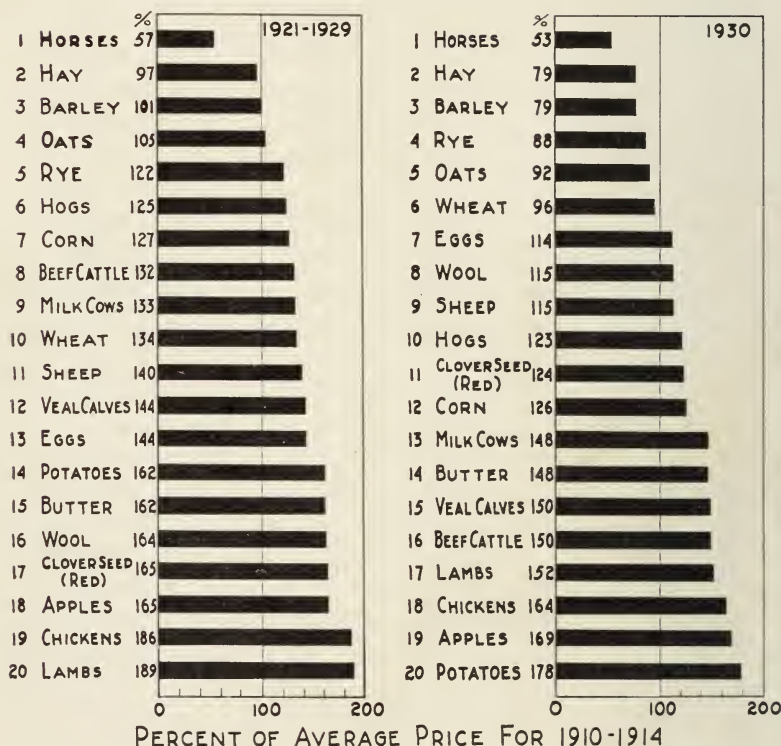


FIG. 2.—RELATIVE ILLINOIS FARM PRICES OF TWENTY FARM PRODUCTS IN 1921-1929 AND 1930

Wide variations have developed between the relative prices of these twenty products when prices for recent years are compared with those of an earlier period. Altho the level was lower in 1930 than for the nine years 1921-1929, the order of the different commodities was not greatly altered. Eggs, lambs, and wheat were the most important commodities that declined in relative rank; beef cattle, corn, hogs, and milk cows improved their relative positions.

These changes made the positions of the two closely allied products, corn and hogs, and of the three classes of cattle more favorable, and made the positions of wheat, eggs, sheep, and wool less favorable. Some observations as to the reasons for and permanency of these changes are made in the summary on page 22.

TABLE 1.—AVERAGE PRICES OF SELECTED ILLINOIS FARM PRODUCTS, 1921-1929 AND 1930 COMPARED WITH 1910-1914

Commodity	Prices			Index numbers of prices (1910-1914 = 100)	
	1910-1914	1921-1929	1930	1921-1929 ¹	1930
Apples, bushel.....	\$ 1.04	\$ 1.72	\$ 1.76	165.4	169.2
Barley, bushel.....	.63	.63	.50	100.7	79.4
Beef cattle, 100 pounds.....	5.94	7.85	8.93	132.1	150.3
Butter, pound.....	.25	.41	.37	162.2	148.0
Butterfat, pound.....	..	.40	.33
Chickens, pound.....	.11	.20	.18	185.8	163.6
Clover seed (red), bushel.....	9.02	14.88	11.17	165.0	123.8
Corn, bushel.....	.58	.73	.73	126.6	125.9
Eggs, dozen.....	.21	.30	.24	143.9	114.3
Hay, ton.....	13.95	13.52	11.03	96.9	79.1
Hogs, 100 pounds.....	7.44	9.29	9.16	124.9	123.1
Horses, head.....	151.58	86.13	80.10	56.8	52.8
Lambs, 100 pounds.....	5.93	11.19	9.01	188.7	151.9
Milk cows, head.....	53.94	71.76	79.60	133.0	147.6
Oats, bushel.....	.38	.40	.35	104.9	92.1
Potatoes, bushel.....	.83	1.34	1.48	161.6	178.3
Rye, bushel.....	.73	.89	.64	122.2	87.7
Sheep, head.....	4.26	5.98	4.91	140.5	115.2
Veal calves, 100 pounds.....	7.19	10.34	10.79	143.8	150.0
Wheat, bushel.....	.92	1.24	.88	134.5	95.6
Wool, pound.....	.20	.33	.23	164.4	115.0

¹Index numbers were worked by averaging the index figures for individual years. They therefore do not agree exactly with those that would be calculated from averages as presented here.

TABLE 2.—MONTHLY PRICES OF SELECTED ILLINOIS FARM PRODUCTS, 1921-1929 AND 1930, AND INDEX NUMBERS OF 1930 PRICES
(Average of same month for 1921-1929 = 100)¹

Month	Apples			Barley			Beef cattle		
	Price (bushel)		Index No. 1930	Price (bushel)		Index No. 1930	Price (100 pounds)		Index No. 1930
	1921-29	1930		1921-29	1930		1921-29	1930	
January.....	\$1.78	\$1.90	106.7	\$.64	\$.55	85.9	\$7.45	\$10.30	138.3
February.....	1.86	2.00	107.5	.65	.55	84.6	7.33	10.30	140.5
March.....	1.94	2.00	103.1	.66	.53	80.3	7.67	10.00	130.4
April.....	2.08	2.15	103.4	.66	.53	80.3	7.66	9.70	126.6
May.....	2.01	2.15	107.0	.67	.54	80.6	7.90	9.50	120.3
June.....	2.31	2.30	99.6	.67	.49	73.1	7.96	9.30	116.8
July.....	1.63	1.70	104.3	.65	.45	69.2	7.99	8.40	105.1
August.....	1.27	1.40	110.2	.62	.50	80.6	8.13	7.70	94.7
September...	1.24	1.35	108.9	.60	.55	91.7	8.22	8.40	102.2
October.....	1.37	1.35	98.5	.59	.53	89.8	8.07	8.40	104.1
November.....	1.50	1.35	90.0	.59	.49	83.0	7.90	7.60	96.2
December....	1.66	1.50	90.4	.62	.50	80.6	7.88	7.60	96.4
Year.....	1.72	1.76	102.5	.63	.50	81.6	7.85	8.93	114.3

Month	Butter			Butterfat			Chickens		
	Price (pound)		Index No. 1930	Price (pound)		Index No. 1930	Price (pound)		Index No. 1930
	1921-29	1930		1921-29	1930		1921-29	1930	
January.....	\$.43	\$.40	93.5	\$.44	\$.35	79.9	\$.20	\$.19	95.0
February....	.41	.37	90.0	.42	.34	81.3	.21	.20	96.6
March.....	.41	.36	88.2	.42	.32	75.5	.21	.20	96.7
April.....	.40	.38	94.3	.41	.35	85.8	.22	.21	95.9
May.....	.39	.38	97.4	.37	.35	93.8	.22	.19	86.7
June.....	.38	.36	94.7	.36	.30	83.3	.21	.18	84.4
July.....	.38	.35	91.9	.36	.30	82.9	.22	.17	77.0
August.....	.39	.36	93.0	.37	.34	91.9	.21	.17	82.9
September...	.40	.39	97.3	.39	.37	94.6	.21	.18	88.3
October.....	.42	.39	93.3	.41	.36	87.8	.20	.17	86.3
November....	.43	.38	88.4	.43	.33	77.1	.19	.16	83.6
December....	.44	.35	79.5	.44	.28	63.4	.19	.15	79.1
Year.....	.41	.37	91.8	.40	.33	83.1	.20	.18	87.7

Month	Clover seed (red)			Corn			Eggs		
	Price (bushel)		Index No. 1930	Price (bushel)		Index No. 1930	Price (dozen)		Index No. 1930
	1921-29	1930		1921-29	1930		1921-29	1930	
January.....	\$15.24	\$10.00	65.6	\$.67	\$.72	107.5	\$.39	\$.39	99.2
February....	15.64	9.90	63.3	.69	.71	102.9	.31	.32	103.9
March.....	16.32	10.00	61.3	.69	.67	97.1	.23	.20	88.5
April.....	16.37	10.00	61.1	.70	.72	102.9	.22	.21	95.5
May.....	16.17	11.00	68.0	.74	.72	97.3	.22	.19	85.2
June.....	15.47	11.30	73.0	.78	.72	92.3	.22	.17	78.0
July.....	15.06	10.80	71.7	.81	.71	87.6	.23	.17	74.2
August.....	13.88	11.40	82.1	.83	.87	104.8	.25	.18	73.2
September...	13.03	12.00	92.1	.81	.89	109.9	.30	.23	77.2
October.....	13.16	12.40	94.2	.74	.77	104.1	.35	.23	65.5
November....	13.77	12.40	90.1	.67	.61	91.0	.44	.30	68.5
December....	14.46	12.80	88.5	.68	.62	91.2	.47	.26	55.2
Year.....	14.88	11.17	75.9	.73	.73	99.0	.30	.24	80.3

¹Index numbers were worked from averages which included more decimal places for some commodities than are included here. Hence the index numbers do not agree precisely with those that would be obtained from prices as presented here.

TABLE 2.—Continued

Month	Hay			Hogs			Horses		
	Price (ton)		Index No. 1930	Price (100 pounds)		Index No. 1930	Price (head)		Index No. 1930
	1921-29	1930		1921-29	1930		1921-29	1930	
January.....	\$14.47	\$10.20	70.5	\$8.66	\$9.00	103.9	\$83	\$84	101.2
February.....	14.32	10.40	72.6	9.08	9.90	109.0	87	85	97.7
March.....	14.35	10.40	72.5	9.71	10.00	103.0	89	86	96.6
April.....	14.21	10.50	73.9	9.42	9.60	101.9	89	85	95.5
May.....	14.37	10.10	70.3	9.30	9.40	101.1	89	84	94.4
June.....	13.92	10.00	71.8	9.02	9.40	104.2	88	84	95.5
July.....	13.24	10.00	75.5	9.64	8.80	91.3	88	79	89.8
August.....	12.30	11.30	91.9	10.00	8.90	89.0	87	79	90.8
September....	12.39	12.20	98.5	10.02	9.90	98.8	85	74	87.1
October.....	12.45	12.10	97.2	9.62	9.10	94.6	84	76	90.5
November....	12.91	12.90	100.0	8.69	8.40	96.7	83	74	89.2
December....	13.12	12.30	93.8	8.34	7.50	89.9	80	71	88.8
Year.....	13.52	11.03	82.4	9.29	9.16	98.6	86	80	93.1

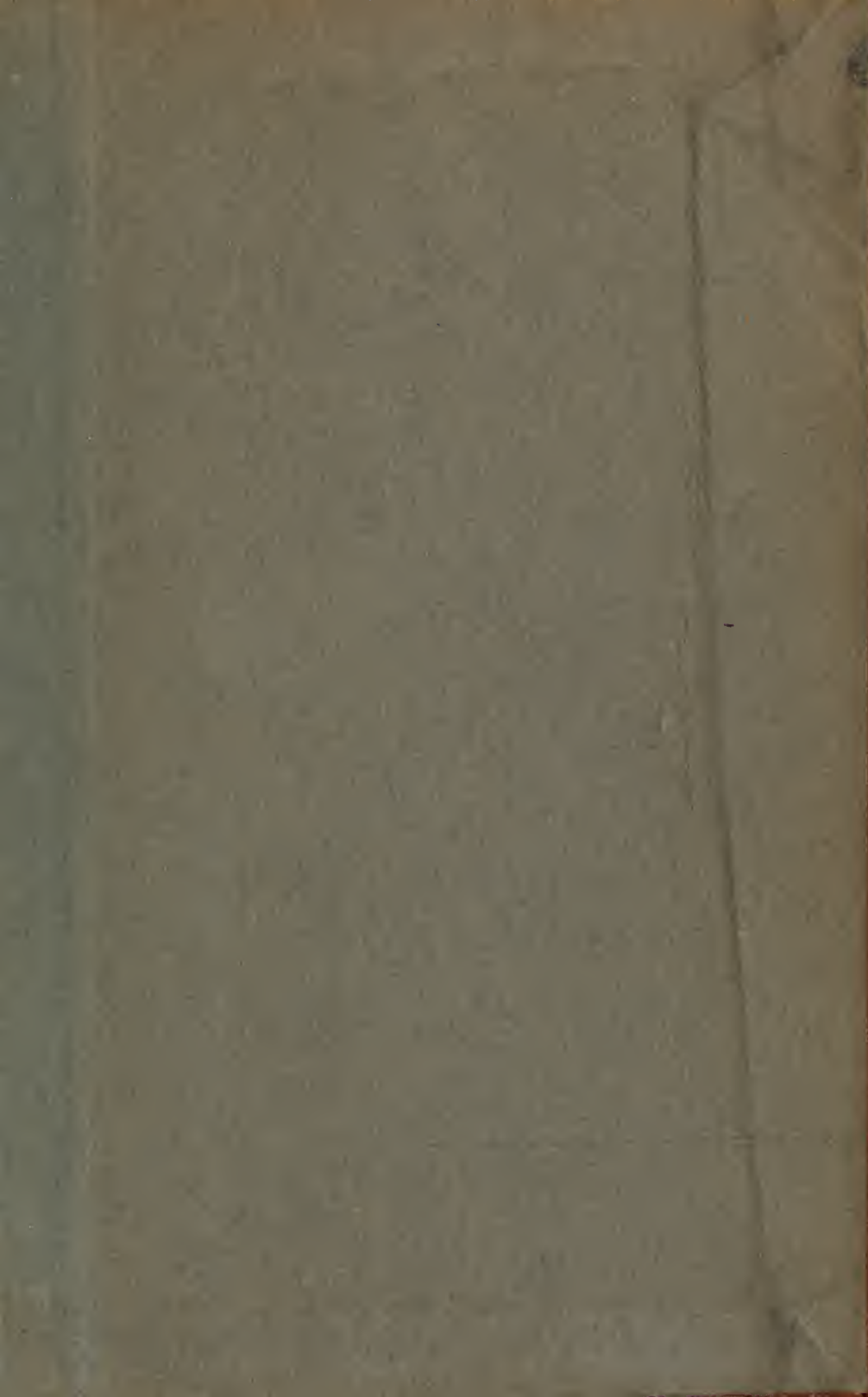
Month	Lambs			Milk cows			Oats		
	Price (100 pounds)		Index No. 1930	Price (head)		Index No. 1930	Price (bushel)		Index No. 1930
	1921-29	1930		1921-29	1930		1921-29	1930	
January.....	\$11.17	\$11.80	105.6	\$70	\$99	141.4	\$.42	\$.40	95.2
February.....	11.24	11.00	97.9	71	96	135.2	.42	.40	95.2
March.....	11.57	10.10	87.3	73	86	117.8	.42	.38	90.5
April.....	11.57	9.50	82.1	71	86	121.1	.42	.39	92.9
May.....	11.83	9.80	82.8	72	85	118.1	.42	.37	88.1
June.....	11.90	9.80	82.4	72	81	112.5	.42	.36	85.7
July.....	11.29	9.10	80.6	72	76	105.6	.39	.29	74.4
August.....	10.68	7.80	73.0	71	69	97.2	.36	.34	94.4
September....	10.79	7.70	71.4	71	69	97.2	.36	.34	94.4
October.....	10.61	7.30	68.8	72	70	97.2	.38	.32	84.2
November....	10.62	7.20	67.8	73	70	95.9	.38	.29	76.3
December....	11.03	7.00	63.5	73	68	93.2	.40	.30	75.0
Year.....	11.19	9.01	80.3	72	80	111.0	.40	.35	87.2

Month	Potatoes			Rye			Sheep		
	Price (bushel)		Index No. 1930	Price (bushel)		Index No. 1930	Price (100 pounds)		Index No. 1930
	1921-29	1930		1921-29	1930		1921-29	1930	
January.....	\$1.30	\$1.60	123.1	\$.92	\$.89	96.7	\$6.07	\$5.90	97.2
February.....	1.32	1.65	125.0	.94	.84	89.4	6.26	5.70	91.1
March.....	1.30	1.65	126.9	.94	.76	80.9	6.54	5.80	88.7
April.....	1.35	1.70	125.9	.92	.72	78.3	6.70	5.90	88.1
May.....	1.34	1.80	134.3	.92	.69	75.0	6.38	5.70	89.3
June.....	1.46	2.00	137.0	.90	.61	67.8	5.64	5.00	88.7
July.....	1.62	1.35	83.3	.88	.42	47.7	5.62	4.20	74.7
August.....	1.36	1.10	80.9	.86	.56	65.1	5.58	4.30	77.1
September....	1.26	1.25	99.2	.85	.58	68.2	5.89	4.20	71.3
October.....	1.21	1.30	107.4	.86	.54	62.8	5.69	4.20	73.8
November....	1.26	1.20	95.2	.87	.48	55.2	5.60	3.90	69.6
December....	1.30	1.20	92.3	.87	.53	61.0	5.87	4.10	69.8
Year.....	1.34	1.48	110.9	.89	.64	70.7	5.98	4.91	81.6

(Table is concluded on page 32)

TABLE 2.—*Concluded*

Month	Veal calves			Wheat			Wool		
	Price (100 pounds)		Index No. 1930	Price (bushel)		Index No. 1930	Price (pound)		Index No. 1930
	1921-29	1930		1921-29	1930		1921-29	1930	
January.....	\$10.37	\$13.10	126.3	\$1.32	\$1.15	87.1	\$.32	\$.32	100.9
February.....	10.73	12.90	120.2	1.34	1.08	80.6	.32	.29	90.6
March.....	10.70	12.50	116.8	1.32	1.00	75.8	.32	.28	87.0
April.....	9.91	11.30	114.0	1.26	1.01	80.2	.32	.27	85.2
May.....	9.79	10.00	102.1	1.29	.95	73.6	.32	.20	62.3
June.....	9.90	10.40	105.1	1.24	.95	76.6	.33	.20	60.2
July.....	10.02	9.80	97.8	1.17	.76	65.0	.33	.19	57.2
August.....	10.34	9.80	94.8	1.16	.80	69.0	.33	.20	61.2
September...	10.99	10.30	93.7	1.16	.79	68.1	.33	.21	62.9
October.....	10.92	10.60	97.1	1.18	.73	61.9	.33	.21	63.6
November...	10.21	10.00	97.9	1.18	.68	57.6	.34	.21	61.2
December....	10.06	8.80	87.5	1.22	.68	55.7	.34	.20	58.3
Year.....	10.34	10.79	104.4	1.24	.88	70.9	.33	.23	70.9



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